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Mr. Chairman and Committee Members, thank you for the opportunity this afternoon to speak on the critical topic of tax incentives. I will keep my comments very brief. While I can certainly provide you with many examples and statistics for how communities have leveraged business and development incentives, as well as share anecdotes about the challenges of financing projects in the current economic climate, I'd rather focus my few moments here on a couple of issues that I believe are getting lost in the larger debate.

First, I want to discuss the concept of project vetting. There is an increasingly common notion amongst the general public that all incentives are handed out whimsically with no determination of merit. This notion is absolutely flawed. The underlying test of any public-private partnership is the "but for" test. This is the basic principle that "but for" the availability and use of incentives, a particular project is not possible and will not otherwise occur. While this concept is simple in principle, it is supported by detailed evaluations of projects at both the local and state level. It includes determining not only why support is needed, but also for what purpose, including, and most importantly, to what end does the community and ultimately, the State, benefit. Policies and processes have been in place and will continue to be so when applying the "but for" test. So, keep in mind, that when a project does not happen, no tax dollars are lost, because no tax dollars were ever gained.

The other issue I would like to address is the erroneous notion that most of our redevelopment projects are undertaken by billionaire maverick developers that ride into town on their black horses to take advantage of the public largesse. In other words, why should we incent those that do not need it?

The actual reality is that the vast majority of projects in many of our communities are completed by local investors. I have had the privilege of working in both East Lansing and Saginaw over the past decade, and while they are vastly different communities in many respects, they share one thing in common - when it comes to redevelopment projects, particularly brownfields, those projects are undertaken by local entrepreneurs. These are people that live and work in the communities in which they develop, send their children to local schools, shop in our stores, and yes, even pay taxes. They are willing to take risks, but as smaller investors they often need help leveraging their equity. And given the current state of commercial lending, leveraging those dollars requires greater creativity than ever before, from both the private and public sector. Eliminating many of the available development credits would significantly impair the ability of these local investors to get projects underway.

I believe that most economic development professionals in Michigan would argue that we do need a better business climate in Michigan and that we must take steps in that direction. But I also believe many would argue that those steps must be measured carefully and the unintended consequences thoroughly understood before any action. A wholesale and immediate elimination of tax credits is not that approach, such a strategy will only lead to the loss of investor confidence and further disinvestment in our communities. We can certainly do better and we must do better. Let's work cooperatively to improve the overall business climate while preserving the tools that work and modifying the ones that do not. As you consider potential changes, I implore you to carefully consider these issues and I appreciate the opportunity to discuss this matter. Thank you.